

AR27



Steetley Industries Limited

Annual Report 1970

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

Six Months Ended June 30

1970 1969

\$ \$

SOURCE OF FUNDS

Net profit for the
period 179,827 243,164

Charges not requiring
cash outlay—

Depreciation and
depletion 277,506 282,358

Increase in minority
shareholders'
interest 15,965 2,683

473,298 528,205

Repayment of 5%
special refundable tax 1,598 15,516

474,896 543,721

USE OF FUNDS

Payment of dividends 114,000 114,000

Net additions to fixed
assets 186,139 201,143

Cash surrender value of
life insurance 6,720 7,337

Purchase of shares of a
subsidiary — 19,725

Investment in mortgage
receivable 36,333 (512)

343,192 341,693

Increase in working capital 131,704 202,028

Working capital beginning
of year 5,767,216 5,473,482

Working capital—end of
half year 5,898,920 5,675,510

AR27

INTERIM REPORT

FOR SIX MONTHS ENDED
JUNE 30, 1970

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Steetley Industries Limited





TO OUR SHAREHOLDERS:

We report herewith the unaudited consolidated results of your Company's operations for the first six months of 1970 together with comparative figures for 1969.

While second quarter net profits improved considerably over the first quarter, the results have been adversely affected by economic conditions generally and, in particular, by the lack of construction activity in the Hamilton area. In addition, Mills Steel Products Limited is suffering from a complete shut down of all construction in British Columbia due to strikes that have been going on for over two months.

The remaining six months of 1970 will be challenging, but there are some signs of improved business conditions.

CONSOLIDATED STATEMENT OF EARNINGS

	<u>Six Months Ended June 30</u>	
	<u>1970</u>	<u>1969</u>
	\$	\$
Sales	7,570,389	8,096,241
Cost of Sales	7,011,610	7,335,265
	558,779	760,976
Depreciation and Depletion	277,506	282,358
	281,273	478,618
Profit from Operations	112,947	96,723
Investment Income	30,737	—
Gain on Sale of Fixed Assets	424,957	575,341
Net Profit Before Taxes on Income	220,000	316,244
Taxes on Income	204,957	259,097
	25,130	15,933
Minority Shareholders' Interest	179,827	243,164
Net Profit for Six Months	\$.95	\$1.28
Earnings per Common Share		

J. S. SPEARING,
President.

Hamilton, Ontario,
August 4, 1970.

Steelley Industries Limited 1970 Annual Report

Directors

J. C. Burd	Niagara Falls, Ontario
L. R. Dowsett	Worksop, Notts, England
H. M. Griffith	Toronto, Ontario
D. H. Henderson	Hamilton, Ontario
T. E. Ladner, Q.C.	Vancouver, British Columbia
N. M. Peech	Worksop, Notts, England
C. G. Pirie	Freelton, Ontario
J. S. Spearing, F.C.A.	Hamilton, Ontario

Executive Officers

N. M. Peech	Chairman of the Board
D. H. Henderson	Vice-Chairman of the Board
J. S. Spearing, F.C.A.	President
H. E. Baker, C.A.	Secretary-Treasurer

Operating Companies and other Executives

CANADA CRUSHED STONE

A. J. DeMarchi	Vice-President—Operations
R. M. Lennie	Vice-President—Sales

QUEENSTON QUARRIES

J. C. Burd	Vice-President & General Manager
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MILLS STEEL PRODUCTS LIMITED

P. A. Neuman	Vice-President & General Manager
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VALLANCE BROWN & CO. LIMITED

H. W. Daniels	Vice-President & General Manager
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FLECK BROS. LIMITED

GOUGH & COMPANY LTD. (As of January 29, 1971)

J. W. Miller, P.Eng.	Executive Vice-President
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Head Office

Harbour Administration Building
Hamilton, Ontario.

Divisions

Canada Crushed Stone — Dundas Quarry
Queenston Quarries — Niagara Falls

Subsidiary companies

Mills Steel Products Limited — Hamilton, Ontario
Vallance Brown & Co. Limited — Hamilton, Ontario
Ritchie Cut Stone Holdings Limited — Hamilton, Ontario
Fleck Bros. Limited — Vancouver, British Columbia
Gough & Company Ltd. — Vancouver, British Columbia

Registrar and Transfer Agents

National Trust Company Limited, Toronto, Ontario

Auditors

McDonald, Currie & Co.

Steetley Industries Limited Directors' Report

To the Shareholders of
Steetley Industries Limited.

Your Directors take pleasure in presenting the Twentieth Annual Report of the Company, together with the Consolidated Balance Sheet and related financial statements for the year ended December 31, 1970, and the auditors' report to the shareholders.

Corporate

The Notice of the Annual General Meeting, which accompanies this report, also includes Notice of a Special General Meeting. At the Special Meeting your Directors will request the approval of the shareholders to the subdividing of the Company's common shares on the basis of 5 for 1. It is expected that this will increase the marketability and distribution of the common shares and will also enable the Company to comply with the revised listing requirements of the Toronto Stock Exchange which take effect April 1, 1971.

Financial

1970 was a challenging and difficult year due to the slackness in the Canadian economy coupled with inflation and tight money. In spite of this we are pleased to report that 1970 has been one of growth and progress for the Company.

Consolidated sales increased from \$15,881,508 in 1969 to \$19,786,141, the major part of this 24% increase was due to the acquisition of Fleck Bros. Limited on August 31, 1970 which is noted later in this report.

Net earnings after taxes were a record \$852,592 compared with \$613,990 last year (1969 earnings were adversely affected by a 3 months' strike in the Canada Crushed Stone Division). The net earnings include the profit of Fleck Bros. Limited for the 4 months' period.

The net earnings amounted to \$4.48 per Common Share in 1970 which is an increase of 39% over the \$3.23 earned in 1969.

Investment yields remained high during most of the year although dropping at the end. The total investment income of \$301,982 compares with \$285,332 earned in 1969.

Your Company was able to negotiate a term bank loan with a variable interest rate, and used these funds to finance the majority of the Fleck purchase. This has left the Company with an even stronger working capital and in a position to finance future growth.

The same dividend as in 1969 was received from National Slag Limited in which your Company owns a one-third interest. The earnings for that company were slightly ahead of last year.

Operations

Canada Crushed Stone and Queenston Quarries

The Canada Crushed Stone Division experienced a mixed year — shipments of metallurgical stone for the steel industry continued at a satisfactory rate but stone shipments for construction purposes were at lower levels until the last quarter when an upsurge developed. The labour settlement negotiated in 1969 is proving to be costly; up to this time it has not been possible to reflect the full increase in higher prices. The new dried fines plant, after some initial start-up difficulties, is now producing a quality product for the nickel, glass and fertilizer industries.

Queenston Quarries ended the year slightly behind last year due to a dearth of construction and highway projects. There are indications that increased highway construction in the Niagara area should develop over the next 3 years.

Mills Steel Products Limited

Mills was adversely affected by prolonged strikes in the construction industry in British Columbia and Quebec and in the last part of the year by the strike at General Motors. This Company has reorganized its manufacturing operations and is in a good position to reflect higher earnings from increased volume. A great deal of Mills' success in 1971 will depend upon the outcome of labour negotiations in the construction trades in Ontario which come up for renewal in April 1971.

Industrial and Electrical Products Distribution

Your Company is making a determined effort to expand in the fields of industrial and electrical products distribution. In this regard we acquired all the issued shares of Fleck Bros. Limited, a leading industrial products distributor in British Columbia and the Yukon. In January 1971 we acquired all the shares of Gough & Company Ltd., a major electrical products distributor in the same geographic area. We now propose to streamline, consolidate and expand in British Columbia and the Yukon.

We would point out that the net profit return on the large volume sales in this type of business is small but we consider that the return on investment is very satisfactory.

Vallance Brown, already an established industrial and electrical products distributor in Ontario, has recently announced the expansion of its steel services division by a 20,000 square foot addition to its existing warehouse in Hamilton.

We feel confident that our acquisitions and expansions during this period of slackness in the Canadian economy will put your Company in a strong position to move forward when business returns to normal with increasing levels of activity.

Dividends

Regular quarterly dividends of 30¢ per share were paid during the year for a total of \$1.20 per share, and a dividend of 30¢ per share has been declared for the first quarter of 1971.

Board of Directors and Management

It is with sincere regret that we announce that Mr. W. Stocks, M.B.E., retired from the Board during the year and his wise counsel will be sorely missed. In 1952 Mr. Stocks played an important part in Steetley of England establishing operations in Canada. He leaves his parent company after 52 years of distinguished service.

Mr. C. G. Pirie retired as President of Vallance Brown & Co. Limited on December 31, 1970 after 42 years of valuable service with this company and Mr. H. W. Daniels was appointed Vice-President and General Manager effective January 1, 1971.

Mr. T. E. Ladner, Q.C., a prominent lawyer from Vancouver was elected to the Board in October 1970 and gives us a tangible link in the expanding West.

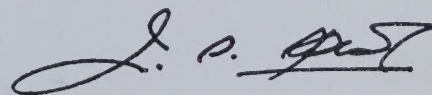
Personnel

Steetley now has 750 employees across Canada and it is to these people we give a vote of thanks for their efforts as a team to produce a good year under difficult circumstances. In particular, we extend to our new associates in Fleck Bros. Limited and Gough & Company Ltd. our welcome. The coming year will require all the co-operation, energy and thoughtfulness of all our personnel. We feel sure we will receive this.

Prospects

The acquisition of Fleck and Gough should reflect an improvement in earnings in 1971 and in addition we are anticipating that the Canadian economy itself will strengthen particularly in the latter half of the year.

On behalf of the Board of Directors.



J. S. Spearing
President

Hamilton, Ontario
February 18, 1971.

**Steetley
Industries
Limited
and
Subsidiaries**

**CONSOLIDATED
BALANCE
SHEET**

as at December 31, 1970

Assets

	1970 \$	1969 \$
CURRENT ASSETS		
Cash	67,169	7,678
Short-term investments — at cost (quoted market value 1970 — \$2,718,700; 1969 — \$2,524,150)	2,725,000	2,535,000
Accounts receivable	4,024,381	2,565,262
Accounts receivable — Parent company	25,277	28,864
Inventories — at the lower of cost or net realizable value	4,697,331	2,596,908
Prepaid expenses	67,355	13,606
	<u>11,606,513</u>	<u>7,747,318</u>
 DEFERRED CHARGES AND OTHER ASSETS		
5% Special refundable tax	—	11,574
Cash surrender value of life insurance	73,483	65,760
Investment in National Slag Limited shares	12,500	12,500
8% Mortgages receivable	161,507	131,556
Scaffold equipment — at cost less amounts written off	225,435	230,255
	<u>472,925</u>	<u>451,645</u>
FIXED ASSETS (Note 2)	3,506,975	2,981,368
	<u>15,586,413</u>	<u>11,180,331</u>

Signed on behalf of the Board,

J. S. SPEARING, Director.

D. H. HENDERSON, Director.

Liabilities

	1970 \$	1969 \$
CURRENT LIABILITIES		
Bank advances	1,782,937	854,214
Accounts payable and accrued liabilities	1,909,846	985,548
Income and other taxes	223,613	140,340
	<u>3,916,396</u>	<u>1,980,102</u>
DEFERRED INCOME TAXES	<u>165,900</u>	<u>144,600</u>
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY COMPANY	<u>543,678</u>	<u>529,343</u>
LONG-TERM BANK LOAN	<u>1,763,024</u>	<u>—</u>
MORTGAGES PAYABLE	<u>53,385</u>	<u>—</u>

Shareholders' Equity

CAPITAL STOCK

Authorized

5,000 6% Cumulative redeemable (at \$105)
sinking fund shares at a par value
of \$100 each

200,000 Common shares without nominal or par value

Issued

190,000 Common shares

	95,000	95,000
RETAINED EARNINGS	<u>9,049,030</u>	<u>8,431,286</u>
	<u>9,144,030</u>	<u>8,526,286</u>
	<u>15,586,413</u>	<u>11,180,331</u>

**Steetley
Industries
Limited
and
Subsidiaries**

**CONSOLIDATED
STATEMENT
OF EARNINGS**

for the year ended
December 31, 1970

	1970 \$	1969 \$
SALES	19,786,141	15,881,508
Profit from operations before the following charges:	1,958,044	1,467,227
Depreciation	547,600	468,174
Depletion	20,911	15,351
Directors' fees	4,000	1,000
	572,511	484,525
Profit from operations	1,385,533	982,702
FINANCIAL		
Investment income	301,982	285,332
Gain on sale of investments and fixed assets	30,737	9,031
	332,719	294,363
Profit before taxes on income and minority shareholders' interest	1,718,252	1,277,065
Taxes on income	829,000	625,000
	889,252	652,065
Minority shareholders' interest	36,660	38,075
NET EARNINGS FOR THE YEAR	852,592	613,990
The following expense is included in the foregoing:		
Remuneration of directors and executive officers	172,625	162,676
Earnings per common share	\$4.48	\$3.23

**CONSOLIDATED
STATEMENT
OF RETAINED
EARNINGS**

for the year ended
December 31, 1970

	1970 \$	1969 \$
BALANCE — BEGINNING OF YEAR	8,431,286	8,031,594
Excess of book value of assets purchased over cost	(6,848)	13,702
Net earnings for the year	852,592	613,990
	9,277,030	8,659,286
Dividends — Common	228,000	228,000
BALANCE — END OF YEAR	9,049,030	8,431,286

**Steetley
Industries
Limited
and
Subsidiaries**

**CONSOLIDATED
STATEMENT
OF SOURCE
AND USE OF
WORKING
CAPITAL**

for the year ended
December 31, 1970

	1970 \$	1969 \$
SOURCE OF WORKING CAPITAL		
Net earnings for the year	852,592	613,990
Charges not requiring cash outlay —		
Depreciation and depletion	568,511	483,525
Deferred income taxes	21,300	25,200
Increase in minority interest	14,335	15,574
	<u>1,456,738</u>	<u>1,138,289</u>
Repayment of 5% special refundable tax	11,574	23,975
Proceeds on disposal of fixed assets	62,337	39,873
Long-term bank loan	1,763,024	—
Mortgage payable	53,385	—
	<u>3,347,058</u>	<u>1,202,137</u>
USE OF WORKING CAPITAL		
Purchase of shares and fixed assets of subsidiary	839,137	19,725
Purchase of fixed assets	476,548	579,032
Dividends paid	228,000	228,000
Net additions to scaffold equipment	53,978	71,870
Investment in mortgages receivable	29,951	(1,145)
Increase in cash surrender value of life insurance	7,723	10,921
	<u>1,635,337</u>	<u>908,403</u>
INCREASE IN WORKING CAPITAL	<u>1,711,721</u>	<u>293,734</u>
WORKING CAPITAL — BEGINNING OF YEAR	5,767,216	5,473,482
Working capital purchased	211,180	—
	<u>5,978,396</u>	<u>5,473,482</u>
Increase in working capital	1,711,721	293,734
WORKING CAPITAL — END OF YEAR	<u>7,690,117</u>	<u>5,767,216</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Steetley Industries Limited and subsidiaries as at December 31, 1970 and the consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, January 22, 1971

McDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS.

**Steetley
Industries
Limited
and
Subsidiaries**

**NOTES TO THE
CONSOLIDATED
FINANCIAL
STATEMENTS**

for the year ended
December 31, 1970

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies. The net earnings of one subsidiary, Fleck Bros. Limited, are included only from September 1, 1970, the date of acquisition.

2. FIXED ASSETS

These are classified as follows:

	1970			1969
	Cost	Accumulated Depletion	Accumulated Depreciation	Net
	\$	\$	\$	\$
Land	357,589	—	—	357,589
Buildings	1,689,339	—	548,860	1,140,479
Plant and equipment	6,717,724	—	5,298,333	1,419,391
Leasehold improvements	55,407	—	13,920	41,487
	8,462,470	—	5,861,113	2,601,357
Stone quarries	1,295,516	747,487	—	548,029
	<u>10,115,575</u>	<u>747,487</u>	<u>5,861,113</u>	<u>3,506,975</u>
				<u>2,981,368</u>

The company has outstanding commitments for capital expenditures amounting to \$440,000 at the year end.

3. PAST SERVICE PENSION PAYMENTS

Unfunded past service costs of pension plans at December 31, 1970, approximate \$41,400. Pension costs are charged to operations as they are paid. The 1971 instalment required is \$14,780.

4. CONTINGENT LIABILITIES

The company is contingently liable as guarantor of loans to employees of a subsidiary aggregating \$184,586.

5. SUBSEQUENT EVENTS

The company has entered into an agreement to purchase all the issued and outstanding shares of Gough & Company Ltd. and associated companies for a sum of \$1,025,000.

